

**KPMG PEAT MARWICK
INVENTORY STUDY
FOLLOW-UP REPORT
JULY 1998**



OFFICE OF THE COUNTY AUDITOR

July 1998

Ronald S. Weinstein, CPA
County Auditor

The County Council and County Executive
of Howard County, Maryland

Pursuant to Section 212 of the Howard County Charter and Council Resolution 22-1985, we
have conducted a

FOLLOW-UP REVIEW KPMG PEAT MARWICK INVENTORY STUDY

and our report is submitted herewith. The scope of our examination related specifically to a follow-up review of the recommendations made in KPMG Peat Marwick's Inventory Study from August 1990 and a review of current operations. The body of our report presents our findings and recommendations.

The contents of this report have been reviewed with the Chief Administrative Officer, the Director of Finance and other agencies affected by this review. We wish to express our gratitude to these agencies for the cooperation and assistance extended to us during the course of this engagement.

A handwritten signature in cursive script, reading "Ronald S. Weinstein".

Ronald S. Weinstein, C.P.A.
County Auditor

A handwritten signature in cursive script, reading "Stephen E. Peters".

Stephen E. Peters, C.P.A.
Auditor-in-Charge

SUMMARY

At the County's request, KPMG Peat Marwick performed an inventory study which they completed in August 1990. At the time of the study, they noted deficiencies at numerous inventory locations and made recommendations for improvements. We reviewed the findings and recommendations that were made at each location, then looked at the current status of inventories in the County to determine if the recommendations were implemented.

The Peat Marwick audit also made several general recommendations. One of the recommendations was for a County-wide, inventory software system. No such system was ever purchased. In the ensuing years, many departments have purchased their own inventory software. We found that these systems were generally adequate to support their department's operations.

The Peat Marwick study recommended that significant inventories be capitalized. We found that some of the County's major inventories are not considered inventories for financial statement purposes. There are also inconsistencies within funds, where an inventory of goods in one area is considered to be an asset while in another area, the inventory of goods is considered to be expended when purchased. We have recommended that the major inventories be considered as assets for financial statement purposes. These include fleet maintenance and the water reclamation plant. We have also recommended that there be a consistent treatment of inventory within funds.

Some departments still do not have the ability to track inventory activity. We have recommended that they do so, either by the purchase of an inventory software system or through the development of their own system.

The study had twelve recommendations in the area of materials and supplies management processes. We found that six of the recommendations were fully implemented, five had been partially implemented and one had not been implemented at all. We have made recommendations which, when implemented, will correct the weaknesses.

HISTORY

In August of 1990, KPMG Peat Marwick (Peat Marwick) completed an Inventory Control Study for Howard County. The objective of this study was “. . . to enhance the inventory control process to ensure the protection of County assets and to increase the effectiveness of County operations which store, issue and consume inventoriable material and supplies.” The study covered four major areas, accounting policies and practices, materials and supplies management processes, automated inventory control systems and fixed asset controls.

One of Peat Marwick’s recommendations was to purchase a county-wide automated inventory control software system. However, that system was never purchased and most departments or bureaus have procured or are moving to procure their own inventory control software. Therefore, since a county-wide inventory control system is not being planned, we decided to follow-up on the original study by reviewing the current status of inventory control in each department or bureau.

INTRODUCTION AND SCOPE

The Inventory Control Study performed by Peat Marwick had findings and recommendations which were divided into four categories:

- Accounting policies and practices
- Materials and supplies management processes
- Automated inventory control systems
- Fixed asset inventory control system.

The fixed asset system is separate from of the County’s inventory system. We did not review the fixed asset recommendations made in the study in this follow-up report, but we will be reviewing this process under a separate audit. For the other areas, we reviewed the general findings and recommendations to determine their current status. There were also findings which related to departmental operations at the various sites which were visited by Peat Marwick, and we reviewed the current status of these findings.

DEPARTMENTAL OPERATIONS

Since the Peat Marwick report was released in 1990, there have been some organizational changes within the County. The fleet maintenance function, which was formerly under each department's control, is now operated as Central Fleet under Central Stores. The Self-Sustaining portion of Recreation and Parks is now a Special Revenue fund, rather than part of the General Fund. Communication equipment was accounted for under the Fire Department, but is now part of the Department of Technology and Communication Services. Also, the Water Reclamation Plant, which was known as the Waste Water Treatment Plant under the Bureau of Environmental Services, is now under the Bureau of Utilities.

We looked at each current department or bureau that maintains an inventory and the findings from the Peat Marwick report that related to those departments and compared the current status to that which existed at the time of the report.

Department of Public Works - Bureau of Highways

The Bureau of Highways operates three shops, Mayfield, Dayton and Cooksville. Each shop maintains an inventory of bulk materials, such as sand, stone, salt and gravel. In Peat Marwick's report, they noted that bulk materials are not controlled because inventory levels are not tracked, issuance is not quantified, usage reports are not prepared and access is not adequately restricted.

At this time, there are no written inventory records to track bulk materials inventory. The Dayton shop is setting up a spreadsheet in Lotus to track inventory there, but there are limitations to determining the accuracy of the inventory. Generally, quantities purchased are weighed at the vendor's scales, but there are no scales at the Highways shops, so the amounts issued can only be determined by using estimates of issuance (i.e., one truckload equals ten tons, one full bucket on the front-end loader equals three tons, etc.) These estimates of usage are recorded on work orders, but no reports summarizing usage are prepared at this time. No inventories are taken because of the bulk nature of the materials. We believe that there should be a method to track usage and relating it to the inventory on hand. There are methods that exist to estimate the volume of a pile of material. The weight of one unit (cubic foot, cubic yard) of the material could be determined and then multiplied by the estimated number of units to produce an inventory quantity. Therefore, we recommend that:

1. *The Bureau of Highways should develop a system to account for bulk inventory purchases and usage. At least annually, a physical inventory should be taken and compared to the expected inventory balance. Any major discrepancies should be investigated by the Bureau's supervisory personnel.*

Administration's Response:

The Administration agrees that bulk inventories should be monitored, however the Department of Public Works is not aware of any technique to do this that is not extremely costly and labor intensive. The Department of Public Works will conduct a survey of appropriate organizations and associations to determine if any simple, effective systems are available for this purpose.

Auditor's Comment:

We concur that the cost of safeguarding assets should not exceed the benefits derived from doing so. We request that the Department of Public Works provide us with a copy of the results of their study of appropriate organizations.

Restrictions on access to inventory items varies by location. At Mayfield, there is a fence around the entire grounds and the inventory is located within another fence inside the grounds. Also, many police cars are fueled at the gas pump located within the outer fence, so there is a police presence there during non-working hours. The Dayton shop has a chain link fence and a gate in front of the grounds there, but the back is not protected. Vandals have entered through the back side and destroyed cinder blocks and started and operated motorized equipment. Because the Dayton shop is located on a large piece of land, enclosing the grounds with a fence would be quite expensive and may not provide much additional security. However, the motorized equipment should be kept within a fenced area when not in use to protect against any insurance claims which may result from the unauthorized use of the equipment. Therefore, we recommend that:

2. *The Bureau of Highways should keep all vehicles within an enclosed fenced area.*

Administration's Response:

The Administration agrees with this recommendation and the Department of Public Works has taken steps to implement storing vehicles in a fenced area at the Dayton Highway Shop.

Department of Public Works - Bureau of Facilities

The Bureau of Facilities maintains an inventory of supplies at its warehouse on Chevrolet Drive in Ellicott City. It consists mostly of building maintenance items, such as electrical and plumbing supplies, cleaning and rest room supplies. The approximate value of this inventory is \$120,000. The Peat Marwick study found that the software lacked many reporting capabilities which they considered to be essential. Since then, the Bureau has purchased its own inventory software, which uses a bar coding process to track inventory. This system is designed for inventory use and can produce essential reports. It has a weakness in that information can be accessed and updated by any user of the system. That type of authority should be limited to only a few Bureau personnel, such as the warehouse personnel and a supervisor, by use of passwords. The Bureau is looking to upgrade their software. We recommend that:

3. ***The Bureau of Facilities should restrict access to their inventory system to "read only" for all personnel other than key warehouse personnel.***

Administration's Response:

The Administration agrees that the Bureau of Facilities should restrict access to their inventory computer system and modifications will be made to implement this suggestion.

The study noted a lack of segregation of duties since the inventory records are kept by the same person who is responsible for inventory custody. Because of a limited number of personnel, this situation still exists.

Peat Marwick also noted some procedural controls which were lacking. Incoming shipments were not always examined prior to acceptance. From interviews with Bureau personnel, we were assured that all shipments are now inspected before they are accepted. Not all stock requests were made in writing. Now, the stock requests must be in writing and approved by supervisory personnel. Documents of stock issuance were not reviewed by anyone other than the person who issued inventory. They are currently being reviewed by a supervisor on the receiving end and by a fiscal specialist on the issuing end. There were no formalized procedures to handle shrinkage, which was 10 to 15% of recorded stock. Although the inventory is now kept in a more secure, caged area where there is less shrinkage, there are still no procedures to address shrinkage. The Bureau should establish a policy and procedures for shrinkage at the warehouse. These should include a

determination of acceptable levels of shrinkage (such as the 6% variance figure used by the Bureau of Utilities) and an approach to dealing with unacceptable levels. Therefore, we recommend that:

4. *The Bureau of Facilities should establish a policy and procedures for shrinkage at their warehouse.*

Administration's Response:

The Department of Public Works has established the attached procedure at the Bureau of Facilities to govern the inventory system. (See Attachment 1)

Auditor's Comment:

The procedure shows the steps to be taken to help prevent shrinkage, but it does not address the shrinkage that does occur. The Bureau should establish a maximum level of acceptable shrinkage and corrective actions to be taken if this maximum level is exceeded.

There were no policies, procedures or guidelines for the disposition of materials and supplies and obsolete items were kept indefinitely. The Purchasing procedures are now being followed. Currently, many obsolete items are disposed of through the warehouse auction and there is documentation when items are removed from the inventory area.

We also noted an additional control weakness in that the warehouse can be accessed by shift workers in emergency situations at night and on weekends, when the regular warehouse personnel are off. However, the best control for the situation would require calling in the warehouse personnel for each emergency situation, which would be costly to the County. Another possibility would be to put new locks on the doors, which could only be opened by use of a card which would identify the user by either a magnetic strip or bar coding and record the user's entry. Unless the amount of shrinkage becomes so great that it would be more cost effective to use one of the remedies mentioned above, we do not believe that the current situation should be changed.

Department of Public Works - Bureau of Utilities

The Bureau of Utilities maintains an inventory consisting mostly of replacement parts for the utilities infrastructure which, at year end, was valued at \$467,483. They have purchased and are currently implementing a new inventory system, using bar coding.

The Peat Marwick report noted that reusable parts are being returned from the field and stockpiled for future use without being recorded to the inventory system. We found that this is still being done by the Bureau, who look at this as a form of recycling. We believe that once an item is removed from inventory and used, it should not be placed in inventory again. The used items should be identified with a special marking to distinguish it from regular inventory. We recommend that:

5. *The Bureau of Utilities should mark each used item returned to stock with paint or some other permanent marking to distinguish the used items from regular inventory.*

Administration's Response:

The Department of Public Works has recently upgraded its inventory control process and believes that it is in general compliance with the recommendations of the auditor.

The study reported that inventory turnover is very low and that turnover rates are not monitored. It also pointed out many shortcomings in the automated inventory control system, such as a lack of reorder points, difficulty of handling correcting entries and time consuming report generation. Since much of the inventory is for emergency replacements, its turnover rates should be low. If these parts were not kept on-hand, it may take days to get a part manufactured and shipped. The new inventory system will monitor usage and inventory turnover and should generally provide for a much improved inventory control system.

Like the Bureau of Highways, the Bureau of Utilities uses bulk materials, but they are not accounted for in the inventory process. We believe that our Recommendation #1 in this report should be followed here, also.

It was noted that objective criteria have not been established to distinguish expendables items from inventoried items. While there is no written procedure, from interviews with Bureau personnel we found that the basic criteria for distinguishing an inventoriable item is if it is placed in the ground. The report also stated that stock requests were not made in writing. Bureau personnel indicated that this is no longer the case and that all requests are made in writing. At the time of the report, there was a lack of segregation of duties due to a vacant position. This has since been filled. There was also not a bin numbering system in place to identify inventory location. There is now a bin numbering system.

The report stated that storeroom access is unrestricted since ten to fifteen people have keys. Because some people are on call for emergencies during non-working hours, they need to have access to the storeroom at those times. While it would be ideal to have storeroom personnel on-hand to grant access to those emergency employees, it would be impractical and expensive to do so. Therefore, we do not recommend any change in the current policy.

Department of Public Works - Bureau of Utilities - Water Reclamation Plant

At the time of the Peat Marwick study, the Water Reclamation Plant was known as the Waste Water Treatment Division and was part of the Bureau of Environmental Services. The inventory at the plant consists mainly of replacement parts for their equipment and is valued at approximately \$300,000. The study noted several deficiencies in the inventory control system being used at that time. Since then, the plant has purchased a maintenance management system which has an inventory control function. The problems which were noted in the study have been addressed by the new system.

Certain items at the plant are not considered inventoriable. The chemicals used in the treatment process are not in inventory because they are used rapidly and there is a low risk of loss through theft. Peat Marwick agreed with this treatment of the chemicals. However, they listed a finding for other materials and supplies which are not monitored by the inventory control system. These are: janitorial and general supplies, structural steel, pipe, lubricants and lumber. We spoke to plant personnel about these items and found that the quantities on hand and the usage are minimal, the dollar value is minimal and, therefore, these items are expensed when purchased. We concur with this treatment of these supplies.

At the time of the study, the plant was not taking an annual physical inventory. When we spoke to plant management, we were told that an annual count is now taken, with quarterly spot-check counts. However, when we asked if a count had been taken at fiscal year-end, we found that no year-end count was taken. An annual physical inventory is important to any materials management operation and, for reasons we will discuss later, it should be done at or near fiscal year-end. Therefore, we recommend that:

6. ***The Water Reclamation Plant should take an annual physical inventory at or near the end of the fiscal year.***

Administration's Response:

The Administration agrees with this recommendation and the Department of Public Works has agreed to establish an annual inventory at the Water Reclamation Plant. This recommendation is planned to be implemented during the upcoming fiscal year.

The study found a lack of segregation of duties regarding inventory control because inventory records are maintained by the same person who has custody for the inventory. This situation still exists since there are not enough personnel to adequately segregate duties. However, management believes that reviews by supervisory personnel of inventory usage and spot-checks provides adequate oversight to minimize any risk caused by the lack of segregation of duties. In the absence of any additional personnel, we concur with management's viewpoint.

As with the Bureau of Utilities main shop, there are numerous slow-moving items at the Water Reclamation Plant. Once again, since most of these items are replacement parts which are only needed if another part fails, it is reasonable to assume that they would be slow-moving.

Police Department

There was one finding, which stated that used uniforms and sundry personal gear which were returned to stock for later reissuance were not logged into the inventory control system. There is currently a system in place which shows who is returning used items and who receives them when they are reissued.

Department of Technology and Communication Services

The Peat Marwick study had one finding in the Fire Department, which stated that there was no inventory control system in place to properly manage and control replacement parts for communications equipment. The function is currently being handled by the Department of Technology and Communication Services. When we asked departmental personnel what the replacement parts inventory consisted of and were told that it is the replacement batteries for portable radios with a value of a few thousand dollars. We believe that this is not sufficiently large enough to require formal inventory procedures, however, care should be taken to safeguard these and all other County assets.

Department of Recreation and Parks

At the time of the study, the Department of Recreation and Parks had a decentralized inventory which was located at various park locations and did not have a policy regarding inventory counts. Currently, all inventory has been moved to a centralized location within the Department headquarters in Columbia, but there is no formal policy of accounting for inventory. Inventory consists of recreation equipment and supplies, such as toys and games, arts and crafts and sporting goods, and various tools and bulk materials for parks. Although policies have been developed for issuance of inventory, no inventory counts are taken and the value of the inventory can only be estimated as being in the \$200,000 to \$300,000 range. The Department is looking into various software options for inventory management but has not made any commitments. Regular physical counts of inventory, performed at least on an annual basis, are essential to proper materials management. Therefore, we recommend that:

7. ***The Department of Recreation and Parks should begin taking complete physical inventory counts on an annual basis, at or near the end of the fiscal year.***

Administration's Response:

A complete physical inventory count will be performed during the month of September, 1998. This process will be performed on an annual basis thereafter.

Auditor's Comment:

If the inventory at Recreation and Parks is eventually determined to be a significant asset for financial statement purposes (see Recommendation #13), then the annual physical inventory will need to be taken near June 30, the end of the fiscal year, not in September.

8. ***The Department of Recreation and Parks should develop policies and procedures for inventory. These should address, at a minimum, ordering inventoriable items, inventory distribution, costing of inventory items, inventory taking and adjustments to inventory.***

Administration's Response:

Policies and Procedures (See Attachment #2) have been implemented in reference to:

- a) **Ordering Inventoriable Items** - This is accomplished by the Department of Recreation and Parks through experience of purchasing history, departmental needs, and seasonal needs. At this time this is performed manually.
- b) **Inventory Distribution - (See Attachment #2)**
- c) **Costing of Inventory Items** - Most inventory has been priced and stickered with current prices. All other inventory is recorded by means of our updated catalog.
- d) **Inventory Taking** - This topic was covered in response to Recommendation #7.
- e) **Adjustments to Inventory** - This topic was covered in response to Recommendation #7.

Auditor's Comment:

The Department of Recreation and Parks should establish reorder points and quantities for their inventory, with seasonal adjustments if deemed necessary. While the current system of relying on experienced personnel may work now, employee turnover could eliminate this experience factor.

Once the baseline inventory has been taken, the average cost method should be used for inventory valuation. This will be much simpler and less labor intensive.

While the response to Recommendation #7 indicated that an inventory would be taken on an annual basis, it did not cover procedures for inventory taking and adjustments to inventory. These procedures should be developed before the initial inventory is taken.

The study noted a lack of segregation of duties between the authorization, custody and accounting functions. It also stated that under staffing appears to be a serious problem and that inventory management takes a low priority relative to other operations. Current staff consists of a warehouse control technician, a full-time stores clerk, a part-time stores clerk and an office assistant. The warehouse control technician indicated that he is working unpaid overtime in order to keep pace. Inventory items are only issued with the approval of a supervisor. While purchase requisitions are prepared by the people who handle inventory, all materials purchased must be authorized by management.

There was a finding that shipments were often received and neither counted nor put away in a timely manner. From discussions with departmental personnel, we were told that having a

centralized warehouse helped alleviate that problem. While we were there, we did not observe anything waiting to be counted or put away.

The central warehouse was also cited as the reason for improvement in two other areas which were listed as findings. Stockroom space had appeared to be inadequate and stock was frequently depleted. In the second case, data is also being developed on usage to help determine reorder points.

The department also uses bulk materials, such as sand and stone. These items should be counted as inventory also, and we believe that our Recommendation #1 should be implemented here, too.

Department of County Administration - Office of Central Services

The Office of Central Services is divided into two operations, Central Services and Fleet Operations. At the time the Peat Marwick study was done, the responsibility for Fleet Operations was within each department. Most of the findings in the Bureau of Highways were fleet related, as were some of the findings in Recreation and Parks, the Bureau of Utilities and the Police Department.

There were two findings in Central Services Operations, where the inventory consists of office supplies and was valued at \$69,127 at the end of Fiscal Year 1997. The first was an inadequate segregation of duties between physical custody of materials and supplies and related record keeping. We spoke to management about that and were told that it still existed and would continue to exist with the personnel resources currently available. There is, however, management oversight of the operation. The other finding related to providing target counts to the people who perform the annual physical counts. Target counts are the expected quantities on-hand, per the pre-inventory records. We reviewed the physical inventory sheets for the year-end count for Fiscal Year 1997 and found that target counts were listed on the sheets. Having target counts may reduce objectivity and therefore the accuracy of the physical counts. Therefore, we recommend that:

9. ***The Office of Central Services should eliminate target counts from their inventory count sheet in future years.***

Administration's Response:

The Physical Count sheets for Stores Division have been redesigned. (See Attachment #3)

At the end of Fiscal Year 1997, Fleet Operations had an inventory valued at \$674,254. An automated inventory management system has been implemented which replaces the inventory card system. This system has the ability to generate reports of current inventory and of inventory usage for each of their six shops. It can also track inventory usage and maintenance history by vehicle. All locations took physical inventories at the end of Fiscal Year 1997, some for the first time, others for the first time in several years. This was a baseline inventory and would not reveal any discrepancies yet. We have been assured that in the future, all discrepancies between the quantity on hand per the inventory system and the physical count will be investigated. Also, the system can be set to avoid putting target counts on the inventory sheets.

In our inventory report on Fleet Operations for Fiscal Year 1997, it was noted that some items were entered improperly when the system was implemented. The items entered improperly cannot be identified by location. These errors have limited the ability of the system to function at its desired level. That report contains a recommendation that the errors be corrected and that recommendation should be implemented.

The Peat Marwick study had numerous findings related to the inventory system but these should show significant improvement once the new system is operating at full capacity. Since Fleet Operations has been in existence, they have developed a procedures manual which has been implemented and provides direction which was previously lacking, resulting in numerous findings. However, we found two instances where either the procedures are not being followed or the procedures need to be amended. At Mayfield, which has taken an inventory every year, there are no test counts performed by supervisory personnel during the year since the annual inventory count has always been almost completely accurate. However, test counts should still be performed during the year to ensure that the inventory operation is still functioning properly. At Dayton, not all stock requests are made in writing. This should be done so that the issuance of stock can be matched to a work order. Therefore, we recommend that:

10. *All Fleet Operations shops should perform test counts of inventory during the year.*

Administration's Response:

A new test count procedure has been developed. (See Attachment #4)

11. *All stock requests should be made in writing.*

Administration's Response:

All stock requests are written on the appropriate Work Orders or on a Fleet stock issuance form.

At the time of the Peat Marwick study, there were some open stores control technician positions which have since been filled. Now, the four main shops at Mayfield, Dayton, Cooksville and Guilford have stores control technicians to handle inventory. There is still a lack of segregation of duties, since the person requisitioning supplies is also the person with inventory control, but that situation will exist with the current number of employees. We have made additional recommendations in this area in the Fiscal Year 1997 Fleet Inventory Review.

There were several findings at different locations about unlimited access to inventory in certain areas or at certain times. These have been rectified since the inventory study.

GENERAL FINDINGS AND RECOMMENDATIONS

Accounting Policies and Practices

With respect to accounting policies and practices, Peat Marwick stated:

"Accounting policies and practices with regard to materials and supplies are not clearly stated and are inconsistently applied. This issue has been identified by County management and is one of the reasons this study was performed. Some organizations have significant inventories of materials and supplies which are capitalized for accounting purposes while others are not. This occurs even for organizations accounted for within the same fund (e.g., Bureau of Highways Fleet Maintenance Operation and Department of Recreation and Parks)."

"With respect to accounting policies and practices, the County should capitalize and account for all significant inventories, as defined by the Department of Finance, under the consumption method . . ."

We found that this situation still exists. In the County's Comprehensive Annual Financial Report (CAFR) for Fiscal Year 1997, there are three areas where inventories are considered as assets in the financial statements. These inventories are in the Fire and Rescue Reserve Fund (\$56,052), the Bureau of Utilities (\$467,483) and Central Stores (\$69,127). However, we found that while the balance sheet in the Water and Sewer Fund included the inventory from the Bureau of Utilities, it

did not include the inventory from the Water Reclamation Plant, which is estimated to be about \$300,000. Similarly, the Central Stores fund inventory did not include the Fleet Operations inventory, which was \$674,254, the largest in the County. Both the Enterprise Fund and the Central Stores Fund would have inventories with values of approximately three-quarters of a million dollars, which would make them significant inventories. There should also be consistency in the County's financial reporting. Therefore, we recommend that:

12. *The inventories of the Water Reclamation Plant and Fleet Operations should be considered to be assets of the County for financial reporting, rather than expenses. These agencies should be reporting to the Department of Finance on a monthly basis in the same manner as the Department of Fire and Rescue and the Bureau of Utilities.*

Administration's Response:

An administrative committee will be set up to discuss and resolve some of these issues. Currently in Central Services, however, a 'Value of Inventory on Hand' report is available for both the Stores Division and the Fleet Division on request. This is the same annual report that is provided to the Financial Management Division at the end of the Fiscal Year. (See Attachment #5)

Auditor's Comment:

We concur with setting up an administrative committee since this will be a complex undertaking. The committee should be in place as soon as possible after the end of the fiscal year so that it can implement new inventory procedures in Fiscal Year 2000.

The other inventories with large dollar values which are not considered as assets for financial reporting purposes are the Department of Recreation and Parks, the Bureau of Facilities and the Bureau of Highways. The inventory at Recreation and Parks would be divided into two parts for financial statement purposes, General Fund and Self-Sustaining Fund. After they take a physical inventory, as recommended above, the portion attributable to the Self-Sustaining Fund should be measured against the other assets of the fund to determine if it is a significant asset. If it is, then the inventory should be considered as an asset on the financial statements. The remainder of the inventory at Recreation and Parks should then be added to the inventory values from the other two locations, since they would all be General Fund inventories. We recommend that:

13. *The Department of Finance evaluate all General Fund inventories to determine if they should be considered an asset for financial statement purposes.*

Administration's Response:

The Department of Finance understands that an administrative committee will be set up to discuss and resolve some of the issues recommended in this audit report. Recommendation #12 and #13 fall into this category. The Department of Finance will have representatives participating in this committee to discuss the feasibility of these recommendations.

Materials and Supplies Management Processes

In addressing materials and supplies management processes, Peat Marwick stated:

"Materials and supplies management processes are generally inadequate to ensure the protection of County property and to properly manage and control inventoriable materials and supplies."

They listed twelve findings of weaknesses and made recommendations to enhance the materials and supplies management process. These findings and their concurrent recommendations are shown below (findings are shown as **F 1**, **F 2**, etc. while recommendations are shown as **R 1**, **R 2**, etc.), along with our evaluation of the current status.

- F 1** *"The materials and supplies management process has not been specifically assigned within each organization."*
- R 1** *"The materials and supplies management process should be specifically assigned within each organization to ensure that adequate staffing and related administrative overhead are devoted to maintaining proper control over inventories and related handling. Organization charts should clearly identify staff who are principally involved with materials/supplies management and inventory control."*

After visiting each location, we found that most inventories have staff specifically assigned to the inventory function. This is especially true with those inventories which are stored indoors. The Bureau of Highways inventory of bulk items is controlled by the supervisor at each site. We believe that the recommendation has been implemented.

- F 2** *"Unrestricted access to inventoried goods at some sites."*
- R 2** *"Access to inventory should be restricted only to inventory control staff and supervisory level personnel. Bulk materials should be located within a fenced compound which should be locked during nonoperating hours."*

We found that most inventories are secured in locked, alarmed warehouses which can only be accessed by inventory control personnel and supervisors. At the Bureau of Utilities and the Bureau of Facilities, the on-call personnel have access to inventory at night and on weekends for emergency purposes. This does not allow for the best control, but no reasonable alternative exists. Although there is a fence and a gate blocking vehicle access to the Bureau of Highways Dayton shop, access is unrestricted from the back of the premises through the woods. Since there would be a high cost associated with fencing in the grounds there and primary risk of loss would be from operation of equipment there, we believe that implementation of our earlier recommendation to keep equipment within a fenced area would be the most cost-effective measure.

F 3 *"A materials and supplies control function has not been established."*

R 3 *"A materials and supplies control function should be established in the Department of Finance to:*

- *Review monthly usage reports.*
- *Review levels of inventory for excessive inventory accumulation to avoid potential obsolescence, misappropriation and inappropriate use of County working capital.*
- *Establish annual count schedules and direct the annual count process.*
- *Review and approve the materials and supplies reconciliations provided by the departments at year end. Unresolved discrepancies should be provided to the County Auditor for follow-up and resolution."*

This function has been established within the Department of Finance and the position is filled.

Administration's Comment:

In order to establish a materials and supplies control function and to perform these duties for the inventories of the Bureau of Utilities and the Department of Fire and Rescue, a full time position in the Bureau of Accounting was filled in 1993. However, due to County's budgetary constraint in mid 1990, this position was eliminated in 1995. Currently, these functions are performed by a Fiscal Specialist I who also performs payroll processing duties.

Auditor's Comment:

If additional inventories are considered as assets, with additional reporting requirements as discussed in Recommendations #12 and #13, consideration should be given to the establishment of a full-time position to handle the inventory function.

F 4 *"Inadequate segregation of duties between inventory custody and inventory record keeping procedures, partially caused by a number of unfilled inventory control staff positions."*

R 4 *“Wherever significant values (e.g., amounts greater than \$100,000) of materials and supplies are managed, at least two staff should be assigned to ensure segregation of duties between record keeping and custody of materials.*

Although all inventory control positions are filled, there are some areas where only one person is handling both record keeping and custody. Current budgetary levels would not support other positions. For those areas where there is a lack of segregation of duties, management oversight is used as a compensating control.

F 5 *“Lack of formalized criteria for identifying inventoriable materials and supplies.”*

R 5 *“For inventory management and control purposes, the County should classify materials and supplies into three categories:*

- Inventoriable materials and supplies comprised of stocked goods which are routinely consumed in the process of fulfilling operating missions and which are easily stored by bin number or assigned area (e.g., oil filters).*
- Expendable materials and supplies which are shelf-stocked and routinely consumed by operations but which are difficult to quantify and record on an issuance by issuance basis, e.g., nuts and bolts, springs, small clamps, solder, wire, chain, etc.*
- Inventoriable bulk materials such as sand, stone, blacktop, fuel, grass seed, lumber, and chemicals.”*

We found that where inventory records are kept and inventory counts are performed, there are criteria to distinguish between inventoriable stocked goods and expendable materials and supplies. Bulk materials have also been classified as expendable materials in the departments in which they are found, but we have recommended that they become part of the inventories at these locations.

F 6 *“Lack of formalized procedures regarding inventory counts and reconciliations between beginning and ending balances of inventory.”*

R 6 *“Approximately three months prior to the fiscal year end, the Department of Finance should require all agencies to provide it with the current and projected year-end value of inventories. The report format should be standardized and require strict compliance with submission deadlines. Based on an evaluation of reported values, the Department of Finance should schedule inventory counts at all user agencies where significant balances have been reported or are expected. User agencies would then be responsible for conducting the physical inventories.”*

The Department of Fire and Rescue Services and the Bureau of Utilities provide the Department of Finance with monthly inventory information, based upon current book values.

However, Central Stores does not do so. This should be done for all inventories which are considered as such for financial statement purposes. Therefore, we recommend that:

14. *The Division of Central Stores should begin reporting inventory information to the Department of Finance on a monthly basis, consistent with the reporting done by the Bureau of Utilities and the Department of Fire and Rescue.*

Administration's Response:

A 'Value of Inventory on Hand' report is available for both the Stores Division and the Fleet Division on request. This is the same annual report that is provided to the Financial Management Division at the end of the Fiscal Year. (See Attachment #5)

There are no year-end projections, however, the value of the inventories does not fluctuate very much, so any month's inventory could be used to approximate the year-end inventory. The inventory counts are scheduled at each location and performed by staff at those sites. Representatives from the County Auditor's Office and/or the Department of Finance are also on hand to observe the process.

- F 7** *"Lack of reconciliations of beginning and ending inventory balances and expenditures/expenses per user department materials and supplies transaction records and related general ledger expenditure accounts."*
- R 7** *"Detailed listings of priced year-end values of inventories should be prepared by each department and reported to the Department of Finance as of fiscal year end in a standardized report format. The detailed listings should include or be accompanied by the following information: reconciliation of beginning to ending balances including purchases, usage, shrinkage or overage, items disposed, and inventory turnover by type and in total."*

The Department of Fire and Rescue Services and the Bureau of Utilities provide this information to the Department of Finance.

- F 8** *"Lack of documented transactions and related authorizations. At some sites, stock requests are not made in writing and requisitions are originated without supervisory approval."*
- R 8** *"All inventory transactions should be documented and authorized by appropriate supervisory level personnel."*

We found in some instances, stock requests were approved by supervisory personnel prior to stock issuance. In others, the supervisors reviewed and approved the inventory transactions after issuance. There was one exception, which we noted above, where the stock requests were not made

in writing. Requisitions were often originated without supervisory approval, but all received approval before being processed. We do not believe any further controls would be necessary.

F 9 *“Inadequate recording of materials and supplies within user departments and inadequate reporting capabilities regarding quantities on hand.”*

R 9 *“The inventory management and control systems should record the quantities and values for these categories in the following manner:*

- *In addition to the current practice of using clipboard files to monitor open and incomplete orders, logs should be maintained to monitor each order by order number until delivered, inspected and input to the inventory control system.*
- *Inventoriable materials and supplies (including special order items) should be controlled by a perpetual inventory system.*
- *Expendable materials and supplies should be input to the inventory control system when deliveries are received and usage should be posted to the system monthly based on shelf counts (or estimated remaining quantities).*
- *Bulk materials should be input to the inventory control system when deliveries are received with monthly usage computed and input into the record system by inventory type based on physical measurement of month-end quantities.*
- *Used materials which are returned to stock should be input to the inventory control system.*

The purpose of tracking purchase orders would be to prevent against duplicate ordering of inventory. Duplicate orders would tie up County funds which otherwise could be invested. However, we do not believe that the dollar amount at risk to be significant. None of the newer systems we saw had the capability of tracking purchase orders in addition to inventory. Since the County has made an investment in these systems, it is unfeasible for the County to replace them. If upgrades to the systems can be purchased at a reasonable price, upgrades should be purchased. Those departments which are considering the purchase of inventory software should look into purchasing a system with this capability. Again, if the additional cost of this type of system is reasonable and other features are comparable, this type of system should be procured.

With the exception of those departments where we have recommended the acquisition of perpetual inventory software, inventoriable materials and supplies are controlled by perpetual inventory systems. Expendable items are expensed when purchased and not counted as part of inventory. We concur with this treatment. We have recommended that bulk materials should be quantified and counted as inventoriable items.

We disagree with the recommendation that used materials be input to the inventory control system. These items have limited usefulness in relation to unused items. The inventory control system uses a weighted average cost system and used items would have zero value since they have

already been charged out on a work order once. Adding used items to inventory would skew the cost of the unused items downward. Also, there are only a limited number of these items which are used, so we believe treating these items as regular inventory should not be considered.

F 10 *“Inventory usage is generally not summarized by activity for management review.”*

R 10 *“Periodic usage reports should be prepared by each department for each of the three categories described above. These reports should be reviewed and approved by supervisory level personnel within each department and provided to the Department of Finance for review and filing.”*

Currently, the Department of Fire and Rescue Services and the Bureau of Utilities provide the Department of Finance with usage reports which have been reviewed by supervisory personnel within each department.

F 11 *“Lack of control over bulk materials such as sand, salt and stone. Usage is not recorded and quantities are not periodically inventoried.”*

R 11 *“The Department of Finance and respective user departments should catalog all bulk materials used by the County and determine appropriate inventory measurement techniques (e.g., value based on estimated weight or size of bulk materials) to be used to estimate bulk quantities when physical inventories are performed.”*

We concur with this recommendation. No action has been taken on this since the Peat Marwick report was written. We have made a similar recommendation elsewhere in this report.

F 12 *“Appropriate forms should be enhanced or developed to facilitate the materials and supplies management process.”*

R 12 *“Aside from current forms use by the County to acquire goods, the following forms, logs and formatted reports should be developed for department use:*

- *Descriptive listings of stocked materials and supplies including line item codes.*
- *Stock issuance logs to document issuance.*
- *Manual or automated logs to monitor open internal requisitions, open formal requisitions and open suborder releases until goods are delivered, inspected accepted and input to the inventory control system.*
- *Log of all adjustments recorded for shrinkage, overage, damaged, obsolete and disposed goods.*

The newer systems we saw had descriptive listing and tracked stock issuance. Even the Department of Recreation and Parks, which does not have an inventory system, has a descriptive listing of the stock that they carry and tracks all issuance of stock to user programs. As we noted before, none of the systems had the capability of tracking open requisitions and purchase orders, but

we believe the risk of loss to be minimal. If upgrades to the current or new systems can be purchased at a reasonable price, then they should be acquired. The Department of Finance keeps track of all adjustments to those departments with inventories for financial statement purposes.

The reporting requirements discussed above should also be extended to those departments which should be capitalizing their inventories but have not yet done so. We recommend that:

15. *All departments which should capitalize inventories, but have not been doing so, should begin preparing inventory reports for usage, quantities on hand and valuation, as described in the recommendations made by Peat Marwick.*

Automated Inventory Control Systems

The Peat Marwick study stated:

“The automated inventory control systems, where used or available, are generally inadequate to properly manage and control inventoriable materials and supplies. Specifically:

- 1. The upgrade to the Fleet Maintenance Operation inventory management system is overdue.*
- 2. The responsibility to plan and control automated systems development, including the responsibility to respond to and address solutions to meet departmental automation needs, is decentralized.*
- 3. User manuals are inadequate and in most cases have not been provided to the user agencies where the inventory management software was installed.*
- 4. Report writing capabilities of the inventory management systems are inadequate.*
- 5. Automated systems do not adequately link issuance of inventory to work order usage.”*

There has been an upgrade to the Fleet Operations inventory management system. The County has a PC Steering Committee which is responsible for all new personal computer software. This committee provides central guidance although each department has been ordering software which has capabilities which are pertinent to the department's needs. The newer systems have report writing capabilities and can link inventory issuance to work orders. User manuals are available.

Peat Marwick recommended that any new software should provide the following capabilities:

1. On-line data entry of requests for inventory.
2. On-line issue of inventory.
3. Access to parts availability.
4. Reporting of parts utilization.

5. Alternate valuation of inventory.
6. Alternate costing methods.
7. Reorder point reporting.

The requests for inventory are generally made in writing and the issuance of inventory is immediate in most cases where the requested item is in stock. The only exception we found was at the Department of Recreation and Parks, which may take up to a day to process large requests for multiple programs. In most other cases, entering the requests on-line would only serve as a duplication of effort and we did not consider this to be an essential element. Otherwise, all of the newer systems which have been purchased have the capabilities listed above.

In Peat Marwick's report, they recommended looking at a few inventory control software systems. Since these systems are greatly outdated by now (most were designed to be compatible with IBM PC-XT or AT or equivalents), we did not give this listing any consideration.

The study recommended a series of steps to be performed by the County in selecting an inventory software package. These steps include:

1. Analyze the purchasing inventory interface issues.
2. Analyze the financial system interface issues surrounding an inventory system implementation.
3. Prepare capabilities checklists to assist in the comparative evaluation of candidate software packages.
4. Identify the County's training requirements and create a training plan.
5. Prepare a high level implementation approach.
6. Review the identified software solution alternatives.

These steps were intended for a County-wide plan. Since departments have purchased software packages on their own, there will not be a County-wide inventory system. Certain elements of these steps would still be applicable to all departments purchasing inventory software, such as the creation of a training plan. However, most of the steps will not be implemented.

Bureau of Facilities Stockroom and Inventory Procedures

The purpose is to establish guidelines and specify standards to be utilized by the Bureau of Facilities. This is to allow for an accurate maintenance of inventory records that show receipts, disbursements and maintaining useful stock of necessary equipment, supplies and materials for the unimpeded daily operation of the Bureau's Maintenance Division.

The inventory system has been developed to perform the following functions:

1. Maintaining adequate stock
2. Purchasing the highest quality products at the most reasonable price
3. Prevent occurrences of "shrinkage"

All storeroom activity and inventory maintenance is administered by the Stores Control Technician. The Stores Control Technician assumes supervision and control over the supplies in stock, maintains an accurate perpetual inventory record, showing receipts, allotments, disbursements and available balances on hand. Responsibilities also include continuous physical inventory spot checks to assure a high degree of accuracy in inventory keeping, independent check of materials received and checks them carefully against purchase orders and purchase requisitions, authorize the disbursement of all supplies, materials and equipment, as well as having the authority to challenge such disbursements. All supplies, materials and equipment are kept secured in a locked area to provide for uniform utilization of materials, eliminate unnecessary waste and control unnecessary expenditures.

These duties are performed with the aid of a sophisticated barcoding system that electronically maintains a database of parts, equipment and materials. This information is downloaded weekly into the central computer where reports are generated. The reports are used to verify that minimum stock levels are being maintained and that "shrinkage" is not occurring. Reports are also generated that allow for accurate reporting of labor, supplies, materials and equipment costs by building and by work order.

The inventory control system has been setup to process automatic reordering. With predetermined maximum and minimum stock levels in the system, reordering occurs between the two extremes. Implementation of maintaining these levels has been facilitated by the following guidelines:

1. A physical inventory count of all materials on hand shall be taken.
2. Materials are classified into categories to determine items that are to be controlled tightly and those items that are to be controlled loosely.
3. A database has been setup containing inventory controlled items.

4. An accurate record on disbursements of parts, in addition to the inventory control system is maintained.
5. records of low vendor cost are maintained so that materials can be ordered through the lowest cost vendor.
6. A physical inventory count shall be taken periodically, once every 6 months.

To improve work flow, materials have been classified into 3 categories. The categories are A, B, C.

Category A items are for large and expensive parts and are always maintained in a secured environment. These items include but are not limited to: power tools, lawnmowers, motorized snow blowers, heat pumps, chillers, pumps, valves, thermostats, fan speed controls, electric motors, compressors, electrical contacts, electronic equipment, etc. Daily records are maintained on these items and are treated as individual line items. The inventory accounting requires a real-time status report of the quantity on hand and, the amount of stock, quantity on order, and daily demand rate. These items are periodically reviewed to verify that the item is available and/or functional.

Category B items are less expensive than A items but the frequency of their need require careful inventory planning to avoid depletion and "shrinkage". These items include, but are not limited to, paper towels, toilet paper, soap, light bulbs, hand tools, circuit breakers, plumbing fittings, etc. These items, too, are maintained in a secured and locked area. Inventory controls for this type of stock is less stringent than the category A items. The basis for control is when the item needs to be reordered to maintain minimum stock levels. Further, the barcoding and real-time inventory system allows for an accurate and timely count of existing stock so that supplies are never exhausted.

Category C items are normally items that are purchased by weight and are, therefore harder to control and count. These items are parts such as screws, nuts, bolts, cotter pins, nails, etc. and are impractical to maintain rigid inventory control. These items are ordered as stock bins reach a certain level and are verified by the Storeroom Control Technician on a weekly basis

Disbursement and receiving procedures:

A material requisition form is completed by the tradesman or his supervisor and submitted to the storeroom control technician. The following information is required:

- a. Date
- b. Work order number with building number and location
- c. 6 digit computer stock number
- d. item description
- e. quantity required
- f. signature

Once the item is issued from stock the material requisition form is used to enter the data into the computerized inventory system where the following data is entered by the Storeroom Control Technician or Storeroom Clerk:

- a. Date
- b. Work Order number and building number
- c. item description
- d. quantity disbursed
- e. adjusted on hand count after item is removed from stock
- f. quantity on order
- g. location of item by bin number (bar code number)
- h. item classification (A, B, C)
- i. max. and min. stock level
- j. purchase order numbers and amounts received.

Reports are generated periodically (weekly, monthly, semi annually) through the computerized inventory/barcoding system. These reports allow for accurate and verifiable stock and storeroom items. These reports can also indicate where the items were used, the quantity used, the date used, and how many of these items remain in stock.

At year end, reports are used to provide information for budget creation, pro rata reporting and general information that is used by the Bureau Chief to analyze maintenance and replacement decisions.

***POLICIES AND PROCEDURES
FOR THE TRACKING OF INCOMING SUPPLIES
& MATERIALS***

- I. Record Date Package was accepted (Show Log Book)
- II. List Vendor and Number of Packages accepted.
- III. List Requisition to Whom Supplies belong to.
- IV. Record Date and Time Person was notified.
- V. Deliver Packages to Requisitioner who request delivery.
- VI. Hold all other packages until Requisitioner picks up.
- VII. Have Requisitioner Sign and date for supplies and materials.

This procedure creates a check and balance and minimized the confusion due to the high volume of goods that pass through the warehouse.

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05/29/98

PHYSICAL COUNTS

Central Services Warehouse Catalog
PHYSICAL COUNT SHEET

Catalog Numbr	Description Unit	Size	Color	Manuf'r Part No	Cost Count	Min Stk Std Odr
*****	*****	*****	*****	*****	*****	*****
1	ONE PART COMPUTER FORMS, DPC CS	11 X 14	GRN BAR		0.00	78 600
2	TWO PART COMPUTER FORMS, DPC CS	11 X 14	GRN BAR		0.00	18 144
3	THREE PART COMPUTER FORMS, DPC CS	11 X 14	GRN BAR		0.00	8 60
4	FOUR PART COMPUTER FORMS, DPC CS	11 X 14	GRN BAR		0.00	13 103
5	BLANK REGULAR PERFORATED CONTINUOUS CS	9.5 X 11	WHITE		0.00	0 0
9	CONTINUOUS ENVELOPES/1M CASE CS	#10	WHITE	MOORE	57.20	5 25
10	NATURAL COMPUTER CARDS, DPC CS	5081	NATURAL		0.00	4 30
11	LABEL, 1 WIDE, 3.5" X 15/16", 5M BOX BX		WHITE	AVERY 4400	11.99	5 0
12	LABEL, 2 WIDE, 3.5" X 15/16", 5M BOX BX		WHITE	MOORE 4030	8.75	5 0
13	LABEL, 1 WIDE, 5" X 1 7/16", 5M BOX BX		WHITE		23.75	0 0
80	VOTER NOTIFICATION CARDS CS				0.00	0 0
81	VOTER AUTHORITY CARDS CS		WHITE		0.00	0 0
82	VOTER AUTHORITY CARDS CS		BLUE		0.00	0 0
83	VOTER AUTHORITY CARDS CS		YELLOW		0.00	0 0
84	VOTER AUTHORITY CARDS CS		RED		0.00	0 0

PHYSICAL COUNTS

Central Services Warehouse Catalog
PHYSICAL COUNT SHEET

Catalog Numbr	Description Unit	Size	Color	Manuf'r Part No	Cost Count	Min Stk Std Odr
*****	*****	*****	*****	*****	*****	*****
85	ELECTIONS POST CARDS #ED-104 CS				0.00	0 0
86	ELECTIONS MAILER #ED-123 CS			SHELBY	0.00	0 0
87	ABSENTEE APPLICATION #ED-55A CS			SHELBY	0.00	0 0
88	ABSENTEE APPLICATIONS #ED-55B CS			SHELBY	0.00	0 0
89	TAX SALE NOTICES CS			MIAMI	0.00	0 0
90	IMPROVEMENT TAX BILLS 4400/CS. CS			SHELBY	0.00	0 0
91	PAYROLL CHECKS CS				0.00	0 0
92	DISBURSEMENT CHECKS CS				0.00	0 0
93	WATER FINAL NOTICES CS				0.00	0 0
94	WATER BILLS/2400 CASE CS			UFORMA	0.00	0 0
95	PERSONAL PROPERTY TAX BILLS CS			TRAY	0.00	0 0
96	PERSONAL TAX ROLL CARDS/1700 CS. CS			TRAY	0.00	0 0
97	REAL PROPERTY DELINQUENCY NOTICES CS			TRAY	0.00	0 0
98	REAL PROPERTY TAX BILLS/4400 CS CS			UFORMA	0.00	0 0
99	REAL PROPERTY TAX ROLLS/800 CS. CS			UFORMA	0.00	0 0

PHYSICAL COUNTS

Central Services Warehouse Catalog
PHYSICAL COUNT SHEET

Catalog Numbr	Description Unit	Size	Color	Manuf'r Part No	Cost Count	Min Stk Std Odr
*****	*****	*****	*****	*****	*****	*****
100	PAYROLL JOURNAL/1300 CASE			TRAY	0.00	0
	CS					0
101	TIME AND ATTENDANCE/1400 CASE			TRAY	0.00	0
	CS					0
102	BIWEEKLY TIMESHEETS/GREEN-WHITE				0.00	0
	CS		GRN-WHT			0
103	BIWEEKLY TIMESHEETS/BLUE-WHITE				0.00	0
	CS		BLU-WHT			0
104	WEEKLY TIMESHEETS/PINK-WHITE				0.00	0
	CS		PNK-WHT			0
105	PAYROLL CHECK/PINK-INTEGRAL				0.00	0
	CS		PINK			0
106	PAYROLL ADVICE/WHITE-INTEGRAL				0.00	0
	CS		WHITE			0
107	PAYROLL CHECK/YELLOW-INTEGRAL				0.00	0
	CS		YELLOW			0
108	PERSONNEL CHANGE OF STATUS FORMS				0.00	0
	CS	8.5"X14"				0
111	#1 BOND PAPER, SUB 20, 5M/CS				0.00	0
	CS	8.5 X 11	WHITE			0
114	#1 BOND PAPER, SUB 20, 5M/CS			TRIAD	36.37	0
	CS	8.5 X 14	WHITE			0
211	#1 BOND PAPER, 3HP, SUB 20, 5M/CS			WEYCO	23.69	0
	CS	8.5 X 11	WHITE			0
311	#4 PREM. XERO., 3HP, SUB 20, 5M/CS			WEYCO	21.77	10
	CS	8.5 X 11	WHITE			80
411	#4 PREMIUM XERO, SUB 20, 5M/CS			WEYCO	20.23	80
	CS	8.5 X 11	WHITE			1400
414	#4 PREMIUM XERO, SUB 20, 5M/CS			WEYCO	25.73	10
	CS	8.5 X 14	WHITE			90

PHYSICAL COUNTS

Central Services Warehouse Catalog
PHYSICAL COUNT SHEET

Catalog Numbr	Description Unit	Size	Color	Manuf'r Part No	Cost Count	Min Stk Std Odr
*****	*****	*****	*****	*****	*****	*****
511	25% COTTON BOND, SUB 20, 5M/CS	8.5 X 11	WHITE	HO.CAPITOL	46.33	0
	CS					0
611	25% COTTON, RECYCLED, SUB 20, 5M/CASE	8.5 X 11	WHITE	EAST.CERT.	50.37	10
	CS					80
617	COMMODITY OFFSET, SUB 60, 2500/CS	11 X 17	WHITE	HUSKY/SCOT	30.63	0
	CS					0
618	RECYCLED OFFSET, SUB 60, 2500/CS	11 X 17	WHITE	SPRINGHILL	32.02	3
	CS					10
1211	2 PART CARBONLESS SETS, 2500 CS	8.5 X 11	W-Y	NCR	41.42	5
	CS					40
1214	2 PART CARBONLESS SETS, 2500 CS	8.5 X 14	W-Y	3M	51.43	2
	CS					10
1215	2 PART CARBONLESS SETS, 2500 CS	8.5 X 14	W-Y	NCR	43.70	0
	CS					0
1311	3 PART CARBONLESS SETS, 1670 CS	8.5 X 11	WYP	NCR	46.74	10
	CS					80
1314	3 PART CARBONLESS SETS, 1670 CS	8.5 X 14	WYP	NCR	49.45	1
	CS					5
1411	4 PART CARBONLESS SETS, 1250 CS	8.5 X 11	WYPG	NCR	49.88	5
	CS					40
1511	5 PART CARBONLESS SETS, 1000 CS	8.5 X 11	WGrYPG	NCR	51.53	5
	CS					40
1611	6 PART CARBONLESS SETS, 840 CS	8.5 X 11	WBGGrYPG	NCR	44.32	2
	CS					20
1612	6 PART CARBONLESS SETS, 840/CS	8.5 X 11	WBGGrYPG	NCR	59.21	0
	CS					0
4111	#4 INDEX, SUB 90, 2M/CS	8.5 X 11	WHITE	SCOTT	25.28	3
	CS					25
4117	#4 INDEX, SUB 90, 1M/CS	17 X 22	WHITE	SPRINGHILL	69.10	0
	CS					0

PHYSICAL COUNTS

Central Services Warehouse Catalog
PHYSICAL COUNT SHEET

Catalog Numbr	Description Unit	Size	Color	Manuf'r Part No	Cost Count	Min Stk Std Odr
*****	*****	*****	*****	*****	*****	*****
4122	#4 INDEX, SUB 90, 1M/CS CS	17 X 22	WHITE	SCOTT	57.29	1 5
4123	#4 INDEX, SUB 90, 500/CS CS	17 X 22	WHITE	EXACT	24.25	0 0
4211	#4 INDEX, SUB 90, 2M/CS CS	8.5 X 11	BLUE	SCOTT	26.96	2 12
4212	#4 INDEX, SUB 90, 2M/CS CS	8.5 X 11	BLUE	SCOTT	34.46	0 0
4217	#4 INDEX, SUB 90, 1M/CS CS	17 X 22	BLUE	SPRINGHILL	73.05	0 0
4222	#4 INDEX, SUB 90, 1M/CS CS	17 X 22	BLUE	SCOTT	60.24	1 5
4311	#4 INDEX, SUB 90, 2.5M/CS CS	8.5 X 11	CANARY	SPRINGHILL	34.38	3 20
4312	#4 INDEX, SUB 90, 2M/CS CS	8.5 X 11	CANARY	SCOTT	26.96	0 0
4317	#4 INDEX, SUB 90, 1M/CS CS	17 X 22	CANARY	SCOTT	63.41	0 0
4322	#4 INDEX, SUB 90, 1M/CS CS	17 X 22	CANARY	SCOTT	60.24	1 5
4411	#4 INDEX, SUB 90, 2M/CS CS	8.5 X 11	CHERRY	SCOTT	34.46	1 5
4412	#4 INDEX, SUB 90, 2.5M/CS CS	8.5 X 11	CHERRY	SPRINGHILL	34.38	0 0
4422	#4 INDEX, SUB 90, 1M/CS CS	17 X 22	CHERRY	SPRINGHILL	73.05	0 2
4511	#4 INDEX, SUB 90, 2M/CS CS	8.5 X 11	GREEN	SCOTT	27.58	2 12
4512	#4 INDEX, SUB 90, 2.5M/CS CS	8.5 X 11	GREEN	SPRINGHILL	34.38	0 0

PHYSICAL COUNTS

Central Services Warehouse Catalog
PHYSICAL COUNT SHEET

Catalog Numbr	Description Unit	Size	Color	Manuf'r Part No	Cost Count	Min Stk Std Odr
*****	*****	*****	*****	*****	*****	*****
4517	#4 INDEX, SUB 90, 1M/CS CS	17 X 22	GREEN	SCOTT	63.41	0 0
4522	#4 INDEX, SUB 90, 1M/CS CS	17 X 22	GREEN	SCOTT	60.24	0 2
4524	#4 INDEX, SUB 110, 1500/CS CS	20 X 24	GREEN	EXACT	82.01	0 0
5000	FOLDING LETTERHEAD BOXES, 200/CS CS	R-1	GREY	PRESTIGE R-1	48.95	3 24
5001	FOLDING LETTERHEAD BOXES, 200/CS CS		GREY	NO NAME	25.18	0 0
5010	5 PART COLOR COMPUTER FORM, 700/CS CS	9.5 X 11	WGrYPG		55.00	6 40
5050*	FULL COLOR HOWARD COUNTY ROAD MAPS BX	40X60	FULL	HEINTZ	0.00	19 0

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DEPARTMENT OF COUNTY ADMINISTRATION
OFFICE OF CENTRAL SERVICES
CENTRAL FLEET DIVISION

INTERNAL MEMORANDUM

SUBJECT: Inventory Study Follow Up Report -
Inventory Audits

TO: A. Roy Stecher, Chief

FROM: Edward B. Lewis, *EBL*

DATE: May 22, 1998

The above subject study recommended the conduct of several inventory audits at Central Fleet repair shops during the year. Since an annual audit is performed in June, it is proposed that the Central Fleet Administrative Analyst II (AAII) conduct two (2) site visits, at each location where inventory is maintained, in October and February of each fiscal year as follows:

1. AAII will establish a site inventory schedule for October and February in September and January respectively.
2. AAII will distribute the site schedule, to the Central Fleet Supervisors, at the September and January Staff Meeting.
3. The AAII will run a Fleet Maint inventory report (on hand by location) the afternoon prior to the site visit and randomly select up to 30 parts.
4. The AAII, accompanied by the Fleet Supervisor and Store's Control Technician, for that site, shall count the selected part's locations.
5. The Parts Audit Document (PAD) shall be used for the internal audit and become part of the permanent record.
6. Upon a variance being noted, the Fleet Supervisor will prepare a written explanation of the variance and forward it to the AAII.
7. The AAII will attach the explanation of variance to the PAF and forward the package with a cover memo to the Chief, Office of Central Services for any further action.

invaudit

GUILFORD INVENTORY

6/2/98

PARTNUM	DESCRIPT	LOCATO	ONHAND	UNITCOST	TOTAL COST
00009890810	GROMMET	G/A1	1	0.64	\$0.64
00099263020	WASHER	G/A1	4	0.38	\$1.52
1815035C92	KIT (I/H DT466 FUEL PUMP SOLENOID KIT ELEC	G/A1	1	131.17	\$131.17
433114C92	FUEL PUMP	G/A1	1	44.78	\$44.78
00009975616	CLUTCH SPRING	G/A1	4	1.26	\$5.04
00009971701	SPRING	G/A1	1	0	\$0.00
00009926305	WASHER	G/A1	14	0.42	\$5.88
00009890601	GROMMET	G/A1	8	0.6	\$4.80
00009890507	GROMMET	G/A1	1	0.68	\$0.68
00009890506	GROMMET	G/A1	1	0.58	\$0.58
00009671001	BEARING	G/A1	10	4.20	\$42.00
00009741000	RIVET	G/A1	6	0.46	\$2.76
00009580806	WASHER	G/A1	3	0.3	\$0.90
00009580503	WASHER	G/A1	6	0.65	\$3.90
00009560801	NUT	G/A1	7	0.88	\$6.16
00009536605	COLLAR SCREW	G/A1	7	1.96	\$13.72
00009530818	STUD	G/A1	3	1.88	\$5.64
00009373000	SCREW NIPPLE	G/A1	2	1.26	\$2.52
00009512911	ADJUSTING SCREW	G/A1	3	2.88	\$8.64
00009512902	SCREW	G/A1	9	1.35	\$12.15
00009732043	BOLT	G/A1	13	0.88	\$11.44
00009511901	SCREW	G/A1	1	0.76	\$0.76
00009970426	HELICAL SPRING	G/A1	1	0.69	\$0.69
GR074	DECK BLASTER STROBE	G/A1A	3	106.49	\$319.47
7915	MIRROR(5" CONVEX FROM NAPA)	G/A1B	2	12.29	\$24.58
71R5112	BLOWER MOTOR SWITCH(RED DOT)	G/A1B	3	93.85	\$281.55
E9UZ15613B84	SEAT BELT ASSY.(BLUE)	G/A1B	0	59.19	\$0.00
3805	LIGHT(WAS 2802)AMBER SS	G/A1B	6	11.95	\$71.70
14200R	MARKER LIGHT,RED(TRUCKLITE)	G/A2	21	2.94	\$61.74
53112	SEALED TAIL LIGHT KIT(GROTE)	G/A2	4	12.26	\$49.04
14700	GROMMET(TRUCKLITE)	G/A2	4	2.88	\$11.52
640WY100	PLOW LIGHT(SIGNAL STAT)	G/A2	1	34.66	\$34.66
14200Y	LIGHT [MARKER],TRUCKLITE	G/A2	24	2.94	\$70.56
41052	REFLECTOR,RED	G/A2	6	1.02	\$6.12
442L	TAIL LIGHT(PETERSON)	G/A2	0	12.15	\$0.00
00003500510	FILLER CAP	G/A2	2	3.48	\$6.96
00009975625	CLUTCH SPRING	G/A2	3	1.12	\$3.36
00009980604	SPRING	G/A2	3	0.45	\$1.35
00009980607	SPRING	G/A2	4	0.38	\$1.52
00009980700	HOOK ON SPRING	G/A2	4	0.35	\$1.40
00009981104	SPRING	G/A2	3	0.88	\$2.64
00009981106	SPRING	G/A2	5	1.6	\$8.00
00009982200	SPRING	G/A2	5	1.22	\$6.10
03111111111	HOUSING	G/A2	1	18.16	\$18.16
V138-15R	MARKER LENS,RED(PETERSON)	G/A2	0	1.65	\$0.00
130-25	AMBER MARKER LENS, LONG(PETERSON)	G/A2A	0	2.47	\$0.00
91152	TAG LIGHT LENS(GROTE)	G/A2A	8	1.47	\$11.76
30201R	LENS(BEEHIVE/RED),TRUCKLITE	G/A2A	1	2.4	\$2.40
90143	AMBER MARKER LENS, LONG(GROTE)	G/A2A	3	2.26	\$6.78
130-25R	RED MARKER LENS, LONG(PETERSON)	G/A2B	9	2.47	\$22.23
90152	LENS,RED (GROTE)	G/A2B	4	2.76	\$11.04
90342	TAIL LIGHT LENS(GROTE)	G/A2C	9	2.69	\$24.21
90142	LENS,RED(GROTE)	G/A2C	6	3.96	\$23.76
92402	LENS,RED(GROTE)	G/A2D	4	4.64	\$18.56
455530C1	LENS,AMBER	G/A2D	2	4.98	\$9.96
440-15	LENS,RED(PETERSON)	G/A2D	5	4.78	\$23.90
3296-061	TAIL LIGHT LENS,RED(KD)	G/A2E	3	1.65	\$4.95
90762	LENS(GROTE),RED TAIL LIGHT	G/A2E	12	1.8	\$21.60
91482	TAIL LIGHT LENS,RED(GROTE)	G/A2F	8	2.18	\$17.44
91963	AMBER LENS(GROTE)	G/A2G	7	0.95	\$6.65

GUILFORD INVENTORY

6/2/98

PARTNUM	DESCRIPT	LOCATO	ONHANDO	UNITCOST	TOTAL COST
91962	RED LENS(GROTE)	G/A2G	6	0.98	\$5.88
V108-15A	AMBER LENS(PETERSON)	G/A2G	3	1.65	\$4.95
96-20079-1	CORNER LENS,AMBER	G/A2H	3	1.26	\$3.78
90233	AMBER LENS,4 1/2"(GROTE)	G/A2H	8	2.48	\$19.84
40062	RED REFLECTOR,STICK-ON 4"(GROTE)	G/A2I	11	0.83	\$9.13
40053	AMBER REFLECTOR,STICK-ON 4"(GROTE)	G/A2I	14	0.94	\$13.16
40072	RED REFLECTOR	G/A2I	14	1.13	\$15.82
V481R	RED REFLECTOR,STICK-ON 2"(PETERSON)	G/A2I	7	1.04	\$7.28
40078	REFLECTOR (2 1/2" YELLOW ON CARD STICK-O	G/A2J	12	1.13	\$13.56
V476A	AMBER REFLECTOR,3" CENTER SCREW	G/A2J	2	1.59	\$3.18
002-00-712	AMBER RECTANGULAR MARKER LIGHT(ARRO	G/A2K	3	2.85	\$8.55
4040	TAIL LIGHT,RED(SIGNAL STAT)	G/A2L	7	2.27	\$15.89
91311	CLEAR LENS	G/A2M	3	1.32	\$3.96
90232	LENS SNAP-ON 4 1/4" ROUND RED	G/A2M	6	2.82	\$16.92
91302	LENS(SQUARE)437850C91 GROTE	G/A2N	0	6	\$0.00
9071	LENS & GASKET,RED(SIGNAL STAT)	G/A2N	6	5.7	\$34.20
50862	TAIL LIGHT(GROTE)	G/A3	4	6.14	\$24.56
55220	HAZARD LIGHT,TWO WAY(GROTE)	G/A3	4	10.35	\$41.40
45173	MARKER LIGHT,AMBER(GROTE)	G/A3	4	8.07	\$32.28
157-01-522	HAZARD LIGHT,ONE WAY	G/A3	2	8.47	\$16.94
220200-02	AMBER STROBE,FIREBOLT	G/A3	5	52	\$260.00
45172	MARKER LIGHT,RED	G/A3	5	8.07	\$40.35
228-00-020	LENS,RED(ARROW)	G/A3	4	1.85	\$7.40
91410	GROMMET 2 1/2"	G/A3	3	2.45	\$7.35
9174	GROMMET(GROTE)	G/A3	2	2.08	\$4.16
11061291110	GASKET	G/A3	1	0.92	\$0.92
00009980701	LEG SPRING	G/A3	1	0.96	\$0.96
11061491200	GASKET	G/A3	2	1.02	\$2.04
11061291100	GASKET	G/A3	7	0.78	\$5.46
11061904600	SHOE ASSY	G/A3	2	10.46	\$20.92
11061900600	REWIND SPRING	G/A3	2	5.88	\$11.76
143-18	GROMMET(PETERSON)	G/A3A	10	2.66	\$26.60
90162	REAR MARKER LIGHT LENS(GROTE)	G/A3B	13	2.85	\$37.05
8967	LENS,RED(SIGNAL STAT)	G/A3B	2	5.24	\$10.48
5112 SS	LIGHT ASSY,(SIGNAL STAT)	G/A3B	1	15.53	\$15.53
08294	MARKER LIGHT,AMBER(SIGNAL-STAT)	G/A3C	4	2.95	\$11.80
45813	LIGHT(AMBER 2 1/2") GROTE	G/A3C	7	2.07	\$14.49
45812	LIGHT(2 1/2 ROUND/RED)GROTE	G/A3D	8	2.68	\$21.44
067-75-722	MARKER LIGHT,RED	G/A3D	1	4.37	\$4.37
60261	LAMP ASSY, TAG LIGHT	G/A3E	3	3.12	\$9.36
107-15Y	LENS,AMBER(PETERSON)	G/A3E	4	1.07	\$4.28
107-15R	LENS,RED(PETERSON)	G/A3E	2	1.07	\$2.14
066-00-072	MARKER LIGHT(ARROW)	G/A3F	0	3.99	\$0.00
128-00-162	HAZARD LIGHT,TWO WAY(ARROW)	G/A3F	3	8.37	\$25.11
46782	MARKER LAMP(GROTE)	G/A3G	7	6.75	\$47.25
46783	MARKER LAMP	G/A3G	3	6.75	\$20.25
11066479404	HOSE	G/A4	1	1.04	\$1.04
78153	HAZARD LIGHT ASSY, WIDE(GROTE),7"	G/A4	2	49.34	\$98.68
11066403801	SCREEN	G/A4	4	1.18	\$4.72
11101491200	GASKET	G/A4	1	0.78	\$0.78
11063580700	HOSE	G/A4	1	1.65	\$1.65
H6024	BULB (HALOGEN HEAD LIGHT SEALED BEAM U	G/A4	0	7.35	\$0.00
H6054	BULB (HALOGEN SEALED BEAM BULB)	G/A4	5	7.89	\$39.45
11067909620	BUFFER	G/A4	1	1.44	\$1.44
11067909900	BUFFER	G/A4	2	1.26	\$2.52
11066641501	TENSION NUT	G/A4	8	1.22	\$9.76
50912	TAIL LIGHT ASSY (GROTE)	G/A4	2	28.4	\$56.80
62151	BACK UP LAMP ASSY, RECESSED	G/A4	3	13.2	\$39.60
6014	BULB (HEAD LIGHT SEALED BEAM)	G/A4	3	2.67	\$8.01
96-149-760	PIGTAIL ASSY	G/A4	9	1.89	\$17.01

Tuesday, June 2, 1998

TOTAL VALUE OF WAREHOUSE INVENTORY
Howard County Central Services

Cat #	Description	On Hand	Unit Pr	Total Value
=====	=====	=====	=====	=====
2	TWO PART COMPUTER FORMS, DPC	84	0.00	0.00
3	THREE PART COMPUTER FORMS, DPC	93	0.00	0.00
4	FOUR PART COMPUTER FORMS, DPC	70	0.00	0.00
5	BLANK REGULAR PERFORATED CONTINUOUS	3	0.00	0.00
9	CONTINUOUS ENVELOPES/1M CASE	10	57.20	572.00
13	LABEL, 1 WIDE, 5" X 1 7/16", 5M BOX	60	23.75	1425.00
80	VOTER NOTIFICATION CARDS	40	0.00	0.00
82	VOTER AUTHORITY CARDS	1	0.00	0.00
83	VOTER AUTHORITY CARDS	1	0.00	0.00
84	VOTER AUTHORITY CARDS	5	0.00	0.00
85	ELECTIONS POST CARDS #ED-104	1	0.00	0.00
86	ELECTIONS MAILER #ED-123	34	0.00	0.00
87	ABSENTEE APPLICATION #ED-55A	4	0.00	0.00
91	PAYROLL CHECKS	3	0.00	0.00
92	DISBURSEMENT CHECKS	10	0.00	0.00
95	PERSONAL PROPERTY TAX BILLS	1	0.00	0.00
100	PAYROLL JOURNAL/1300 CASE	1	0.00	0.00
101	TIME AND ATTENDANCE/1400 CASE	1	0.00	0.00
103	BIWEEKLY TIMESHEETS/BLUE-WHITE	4	0.00	0.00
106	PAYROLL ADVICE/WHITE-INTEGRAL	4	0.00	0.00
1215	2 PART CARBONLESS SETS, 2500 CS	6	43.70	262.20
1314	3 PART CARBONLESS SETS, 1670 CS	12	49.45	593.40
1511	5 PART CARBONLESS SETS, 1000 CS	7	51.53	360.71
4217	#4 INDEX, SUB 90, 1M/CS	2	73.05	146.10
4312	#4 INDEX, SUB 90, 2M/CS	1	26.96	26.96
4412	#4 INDEX, SUB 90, 2.5M/CS	1	34.38	34.38
4422	#4 INDEX, SUB 90, 1M/CS	5	73.05	365.25
4522	#4 INDEX, SUB 90, 1M/CS	7	60.24	421.68
5010	5 PART COLOR COMPUTER FORM, 700/CS	32	55.00	1760.00
5050	FULL COLOR HOWARD COUNTY ROAD MAPS	185	0.00	0.00
*** Total ***				5967.68